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NEWS RELEASE

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For release on February 15, 2007

NEW CENTURY TRANSPORTATION, INC. OPERATORS CHARGED WITH WORKERS' COMPENSATION INSURANCE FRAUD AND TAX EVASION

A joint investigation by the Santa Clara County District Attorney's Office, the California Department of Insurance (CDI), the Franchise Tax Board (FTB), and the Employment Development Department (EDD) resulted in the bust of a major insurance fraud and tax evasion scheme in Santa Clara County. This morning, Gerald Quint, 50, of San Jose, and Susan Stommel, 50, of Pleasanton, were arrested and charged with 14 felonies, including worker's compensation insurance fraud, grand theft, income and corporate tax evasion, and unemployment insurance tax evasion. The alleged illegal actions caused an estimated total loss of nearly \$2.2 million to the State of California and the workers' compensation insurance carriers. Including interest and penalty assessments, the figure is over \$3 million.

The two defendants own and operate New Century Transportation, Inc., a Nevada corporation registered in California. With approximately 30 employees, New Century provides transportation services throughout Santa Clara Valley. It contracts with Santa Clara County's Valley Transportation Authority (VTA) to provide Altamont Commuter Express (ACE) shuttle services and Downtown Area Shuttle (DASH) services. In addition, it contracts with corporations to run shuttle buses from major transportation hubs and light rail stations to corporate offices. New Century also operates the shuttle buses for Villa Montalvo concerts and charters to various casinos.

The joint investigation revealed that between 2004 and 2006, New Century failed to report over \$4.5 million in paid wages to EDD as required by law. In fact, the defendants deducted personal income taxes and disability taxes from employees' wages during that time, but pocketed the funds instead of remitting them to EDD. As a result of this scheme, the defendants defrauded EDD of over \$280,000. In addition, because paid wages are used as the primary basis to calculate a business' workers' compensation insurance premium, such gross underreporting in payroll also illegally and substantially lowered the workers' compensation insurance premium for New Century. The estimated total amount of premium defrauded between 2003 and 2006 is over \$1.3 million. Finally, the investigation showed that the defendants failed to report nearly \$11 million in New

Century's revenue from 2002 through 2005, resulting in evasion of over \$480,000 in state corporate and personal taxes.

By avoiding millions of dollars in required taxes and insurance premium, the defendants not only profited illegally, but also gain an unfair advantage over honest business competitors.

If convicted of all counts, the two defendants face a total of 15 years and 4 months in state prison. Restitution to the State of California and insurance carriers would also be ordered.

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